



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

RODNEY K. HARAGA
DIRECTOR

Deputy Directors
FRANCIS PAUL KEENO
BARRY FUKUNAGA
BRENNON T. MORIOKA
BRIAN H. SEKIGUCHI

IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

AMENDMENT TO ISSUANCE OF A DIRECT LEASE TOGETHER WITH A
CONSTRUCTION RIGHT-OF-ENTRY TO SAUSE BROS., INC., KALAELOA
BARBERS POINT HARBOR, HONOLULU, EWA, OAHU, TAX MAP KEY
NOS. (1) 9-1-14:24 (POR) AND (1) 9-1-74:37 & 38 (PORS.)

BACKGROUND:

At its meeting on April 22, 2005, Item M-1, the Board of Land and Natural Resources authorized the issuance of a direct lease together with a construction right-of-entry to Sause Bros., Inc. for office, maintenance shed, storage, and inter island tug operation purposes for lands situated at Kalaeloa Barbers Point Harbor further identified as Tax Map Key: (1) 9-1-14:24 (Por).

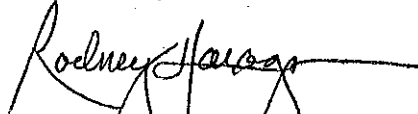
At its meeting on March 24, 2006, Item M-3, the Board of Land and Natural Resources approved to amend its prior Board action of April 22, 2005, Item M-1, to authorize the issuance of a direct lease for lands identified as Tax Map Key: (1) 9-1-14:24 (Por.) and (1) 9-41-74:37 & 38 (Pors.) and increase the lease area by 39,754 square feet, more or less. In addition an extension to the construction right-of-entry for an additional six (6) months or until the issuance of the subject lease, whichever is sooner.

Due to delays in obtaining the required permits and completion of the proposed improvements, Sause Bros., Inc. in their letter dated September 28, 2006, requested for another extension to the construction right-of-entry. Further discussions with Sause Bros., Inc. has determined that an extension of six (6) months will provide sufficient time to complete the planning, permitting and construction of improvement.

RECOMMENDATION:

That the Board amends its prior actions of April 22, 2005, Item M-1 and March 24, 2006, Item M-3, authorizing the issuance of a direct lease together with a construction right-of-entry for lands identified as Tax Map Key: (1) 9-1-14:24 (Por.) and (1) 9-1-74:37 & 38 (Pors.) by extending the construction right-of-entry for an additional six (6) months or until the issuance of the subject lease, whichever is sooner.

Respectfully Submitted,



RODNEY K. HARAGA
Director of Transportation

APPROVED FOR SUBMITTAL:

PETER T. YOUNG
Chairperson and Member



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
HARBORS DIVISION
79 SO. NIMITZ HWY., HONOLULU, HAWAII 96813-4898

April 22, 2005

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

ISSUANCE OF A DIRECT LEASE TOGETHER WITH A CONSTRUCTION
RIGHT-OF-ENTRY TO SAUSE BROS., INC., KALAELOA BARBERS POINT
HARBOR, HONOLULU, EWA, OAHU, TAX MAP KEY NO. 1ST/9-1-14: 24
(PORTION).

APPLICANT:

Sause Bros., Inc., whose business and mailing address is 705 North Nimitz Highway, 2nd
Floor, Honolulu, Hawaii 96817.

LEGAL REFERENCE:

Sections 171-35, 171-36, and 171-59(b), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of lands situated at Kalaeloa Barbers Point Harbor, Honouliuli, Ewa, Oahu
identified by Tax Map Key No. 1st/9-1-14:24 (Por) being Parts A & B, subject to any
existing and future pipeline easements and proposed realigned access road, as shown on
the attached map labeled Exhibit A.

AREA:

Part A - 3.444 acres, more or less.
Part B - 2.066 acres, more or less

ZONING:

State Land Use District:

Urban

Approved by the Board
at its meeting held on

4/22/05
[Signature]

City and County of Honolulu CZO: I-3, Waterfront Industrial

TRUST LAND STATUS:

Acquired After Statehood, Non-Ceded
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CURRENT USE STATUS:

Encumbered under Governor's Executive Order No. 3383
Portion of the Utility Corridor (over Part A)

CHARACTER OF USE:

Office, Maintenance Shed, Storage, and Inter Island Tug Operation purposes.

LEASE TERM:

Twenty-five (25) years

COMMENCEMENT DATE:

Date determined by the Director of Department of Transportation

ANNUAL RENT:

Staff recommends that the rental for the period:

1 st – 5 th year:	Shall be \$0.77 per square foot, per annum, based on an appraisal dated May 28, 2002 completed for this area in Kalaeloa Barbers Point Harbor.
6 th – 10 th year:	115% of the annual rent for the fifth (5 th) year of the lease term.
11 th – 15 th year:	115% of the annual rental for the tenth (10 th) year of the lease term.
16 th – 20 th year:	Rental Reopening at end of 15 th year by an independent appraisal.
21 st – 25 th year:	Rental Reopening at end of 20 th year by an independent appraisal.

METHOD OF PAYMENT:

Quarterly payments, in advance.

PERFORMANCE BOND:

Amount equal to annual rental.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with the "Comprehensive Exemption List for the State of Hawaii Department of Transportation, Amended," approved by the Environmental Council and dated November 15, 2000, the subject request is exempt from the preparation of an environmental assessment pursuant to (1) Exemption Class No. 3, Item No. 1 that states "Construct appropriate structures not exceeding 1,000 square feet on the Department of Transportation property and modify/alter the Department of Transportation buildings to house utility or sprinkler system components such as pumps, transformers, etc." and (2) Exemption Class No. 4, Item No. 5 that states, "Paving of previously graded parking and storage yard areas under the control of the Department of Transportation."

DCCA VERIFICATION:

Place of business registration confirmed: YES
Registered business name confirmed: YES
Applicant in good standing confirmed: YES

APPLICANT REQUIREMENTS:

Applicant shall be required to:

- 1) Conduct and submit a hazardous material baseline study of the subject area;
- 2) Provide survey maps and descriptions according to State DAGS standards and at Applicant's own cost;
- 3) Submit all construction plans stamped by Licensed Engineer for review and approval by Harbors Division;
- 4) Be current in the payment of taxes, rents or other obligations to any agency of the State or its political subdivisions;
- 5) Develop and submit security plan, if required, to meet with all Harbors Division and U.S. Coast Guard security requirements
- 6) Pay for all costs, including the design and construction, relating to the relocation of the access service road.
- 7) Pay for all additional operational and security costs incurred by the State attributable to or related to Applicant's use of the subject property, including, without limitation, the relocation of the access service road and security fencing.

REMARKS:

The applicant has requested a construction right-of-entry to the subject area, pending the execution of the 25-year lease, in order to conduct the necessary survey and upon receipt of all necessary approvals, proceed with the paving and construction of the office and

maintenance shed. No structures shall be built over the existing and future pipeline easements. The construction right-of-entry will expire within six (6) months of its issuance date or upon execution of the subject lease, whichever occurs sooner.

The Applicant will be required to comply with Chapter 343, HRS, for any improvements to the subject area that is beyond the scope of the Exemption Classes noted above.

The issuance of a lease by direct negotiation, rather than by public auction, is appropriate in this instance in order to promote competition in the maritime industry by providing the Applicant with space within the harbor to develop its private operations area. Concurrent to this objective is the desire to implement the development plan to facilitate efficient use of harbor properties.

Applicant has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

Under the State's Oahu Commercial Harbors 2020 Master Plan the subject area has been designated for ferry operations.

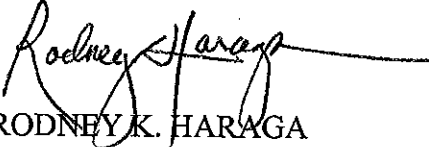
The Applicant, by letter dated January 31, 2005, requested the realignment of the internal road. Harbors Division is agreeable to the request provided the Applicant accepts responsibility for any and all costs for the realignment, any related security requirements, and any additional operating or other costs incurred by the State attributable to such realignment.

RECOMMENDATION: That the Board:

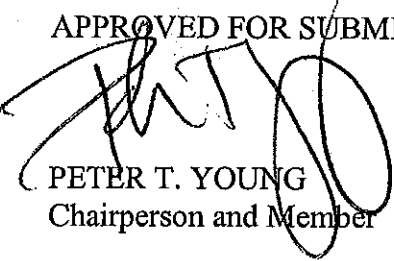
1. Subject to the Applicant being current in its obligations owed to any agency of the State, authorize issuance of a construction right-of-entry for survey, paving and construction of the office and maintenance shed. The right of entry should expire within six (6) months of its issuance or upon execution of the subject lease, whichever occurs sooner.
2. Subject to the Applicant fulfilling all of the Applicant requirements listed above, authorize the issuance of a direct lease to the Applicant covering the subject area under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current lease document form, as may be amended from time to time;

- B. At anytime during the term of the subject lease, "Part B" may be withdrawn should it be determined by the Harbors Division that the land is required to meet State operational needs. Upon such determination by the Harbors Division, the Applicant shall (1) remove any improvements from said Part B lands, at Applicant's sole cost and expense, (2) waive compensation for the depreciated value of any improvements placed on the said Part B lands, and any loss or additional costs that the Applicant may incur in its operations resulting from or related to the State's withdrawal of the Part B lands from the lease, and (3) restore the property to a condition acceptable to the State, reasonable wear and tear excepted, all at Applicant's sole cost and expense.
- C. Review and approval by the Department of the Attorney General; and,
- D. Such other terms and conditions as may be prescribed by the Director of the Department of Transportation to best serve the interests of the State.

Respectfully Submitted,


RODNEY K. HARAGA
Director of Transportation

APPROVED FOR SUBMITTAL:


PETER T. YOUNG
Chairperson and Member

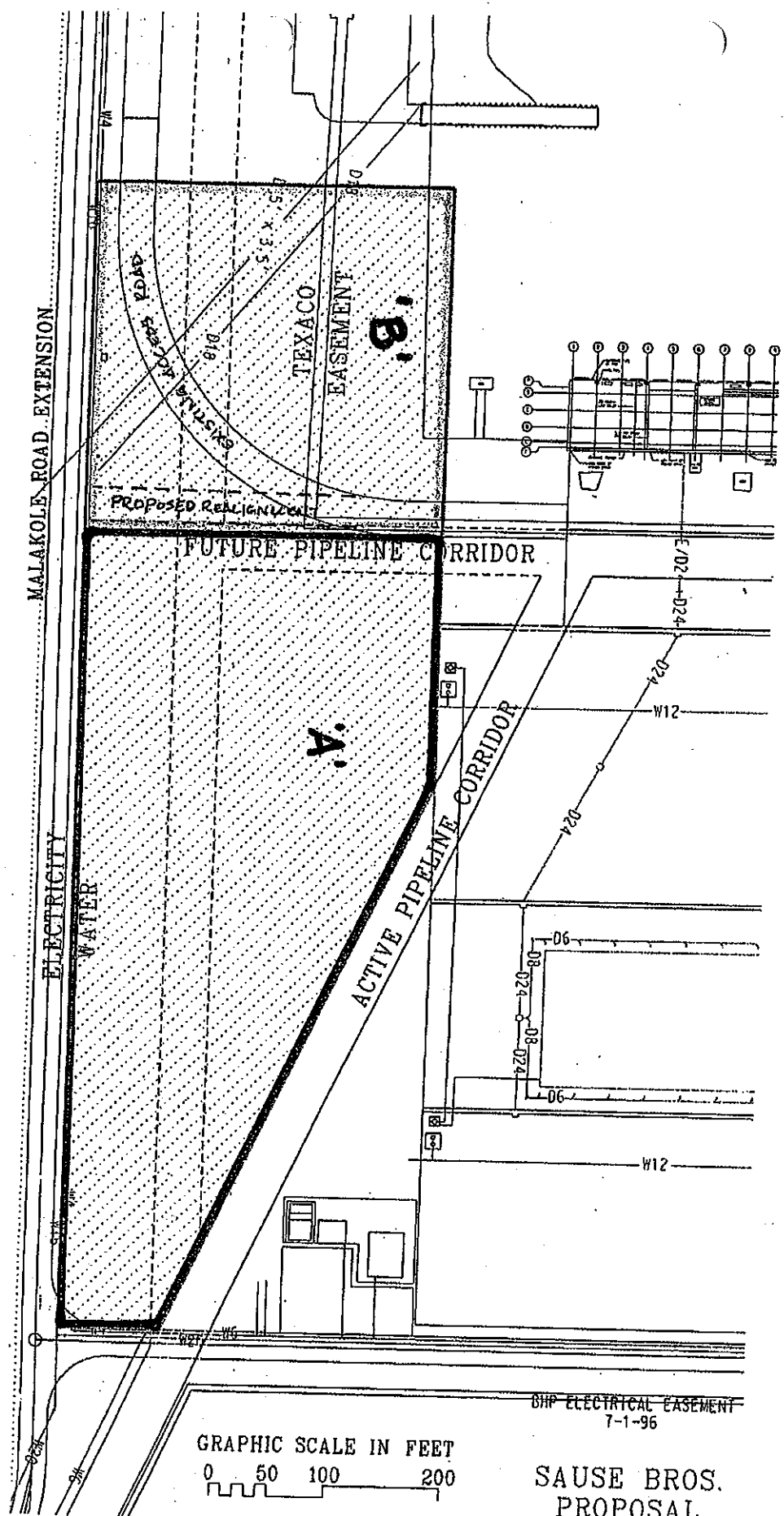


EXHIBIT "A"



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097
March 24, 2006

RODNEY K. HARAGA
DIRECTOR

Deputy Director
BARRY FUKUNAGA
BRENNON T. MORIOKA
BRIAN H. SEKIGUCHI

IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
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**AMENDMENT TO ISSUANCE OF A DIRECT LEASE TOGETHER WITH A
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At its meeting on April 22, 2005, Item M-1, the Board of Land and Natural Resources authorized the issuance of a direct lease, together with a construction right-of-entry, to Sause Bros., Inc. for office, maintenance shed, storage, and inter island tug operation purposes for lands situated at Kalaeloa Barbers Point Harbor, further identified as Tax Map Key No. (1) 9-1-14:24 (Por.) and shown as Parcels A and B in the attached Exhibit A.

Subsequently, Sause Bros., Inc. has requested an additional 39,754 square feet, more or less, of yard space to include the portions of the active pipeline corridor and unpaved land behind the Harbor Agent's office, identified as parcel "C" as shown on Exhibit A. Upon closer inspection and comparison of the current tax maps and the project map, and confirmation by the applicant's consultants, the parcels for the subject lease will include portions of parcels 37 and 38 of Tax Map Plat (1) 9-1-74.

The land board-approved construction right-of-entry was executed effective November 1, 2005 for a period of six (6) months or upon issuance of the subject lease, whichever occurs sooner. Sause Bros., Inc. has requested an extension of the right-of-entry to allow time to obtain the necessary permits to construct and pave the subject site.

RECOMMENDATION: That the Board:

1. Amend its action of April 22, 2005, Item M-1, authorizing issuance of a direct lease for lands identified as Tax Map Key: (1) 9-1-14:24 (Por.) and (1) 9-1-74:37 & 38 (Pors.) and increase the lease area by 39,754 square feet, more or less, subject to the following:

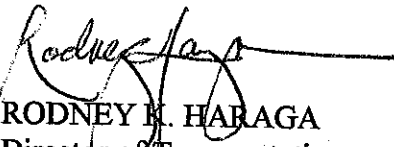
Approved by the Board
at its meeting on
March 24, 2006

gla

ITEM M-3

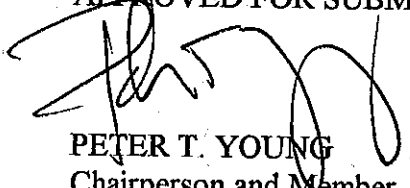
- A. The conditions noted in the April 22, 2005 approval.
 - B. No construction will be allowed over the active pipeline corridor.
 - C. The applicant will provide access to the area for maintenance and repairs by the utility companies within the pipeline corridor.
2. Amend its action of April 22, 2005, Item M-1, to extend the construction for an additional six (6) months or until the issuance of the subject lease, whichever is sooner.

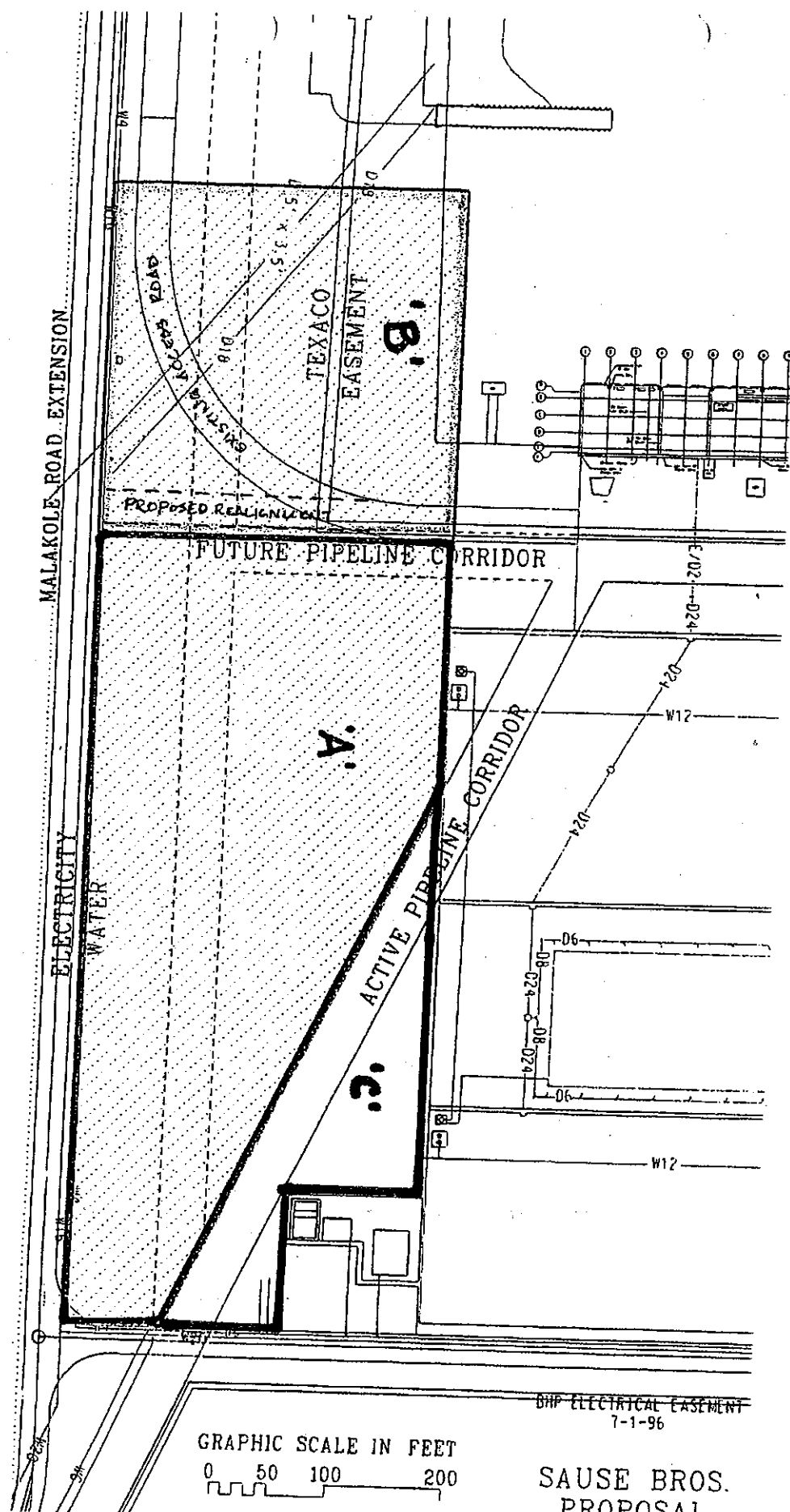
Respectfully Submitted,


RODNEY K. HARAGA
Director of Transportation

Attachment

APPROVED FOR SUBMITTAL:


PETER T. YOUNG
Chairperson and Member



GRAPHIC SCALE IN FEET
0 50 100 200

SAUSE BROS.
PROPOSAL

EXHIBIT "A"